

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-10 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-03 INR-10 NSAE-00 ICA-11 XMB-02 OPIC-03 SP-02
LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07 CEA-01
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-----097661 240908Z /14

R 240845Z MAY 78
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC 8196

C O N F I D E N T I A L SECTION 01 OF 02 TOKYO 09357

E.O. 11652: XGDS-1
TAGS: EFIN, ETRD, JA, US
SUBJECT: MIXED CREDITS

REF: (A) STATE 109476, (B) TOKYO 7276

1. SUMMARY: JAPANESE MAINTAIN THAT SPECIFIC COMMITMENTS REPORTED REF B AS CONCLUDED SINCE END 1975 OR AS PENDING EITHER WERE PLEDGED BEFORE END 1975 OR ARE NOT REALLY MIXED CREDITS. HOWEVER, JAPANESE HAD NOT INTENDED TO LEAVE IMPRESSION THAT THEY DISAVOWED USE OF MIXED CREDITS, WHICH THEY BELIEVE MAY BE DESIRABLE IN SOME CIRCUMSTANCES. WE NEVERTHELESS HAVE BEEN TOLD THAT GOJ HAS NO PLANS TO UTILIZE MIXED CREDITS TO PROMOTE EXPORTS, ALTHOUGH IT IS CONCERNED ABOUT THE PROLIFERATION OF DUBIOUS MIXED CREDITS ABROAD (WHICH IT MAY BE LED TO MATCH). END SUMMARY.

2. MISSION OFFICERS DISCUSSED MIXED CREDITS ON BASIS REF A WITH CONCERNED GOJ OFFICIALS IN MOFA AND MITI. WITH RESPECT TO SPECIFIC CREDITS REFERRED TO IN REF A, OFFICIALS STATED THAT COMMITMENTS TO IRAN, IRAQ, AND INDONESIA WERE BASED ON PLEDGES MADE IN JULY 1971, JANUARY 1974 (WITH AN ADDITION PLEDGED IN APRIL 1976) AND JULY 1975 RESPECTIVELY, AND THAT THESE COMMITMENTS
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THEREFORE SUBSTANTIALLY PREDATE BOTH THE PERIOD FOR WHICH WE REQUESTED INFORMATION ON MIXED CREDITS AND THE JULY 1, 1976 COMING INTO EFFECT OF EXPORT CREDIT CONSENSUS. GOJ NOTES ALSO THAT EXCHANGES OF NOTES ON THESE CREDITS (EXCEPT FOR A) THOSE ON ASAHAN PROJECT WHICH CONTAINS NO EXPORT CREDIT AND B) THE ADDITIONAL PLEDGE TO IRAQ) OCCURRED BEFORE JULY 1, 1976. FURTHERMORE,

SINCE ASAHAN PROJECT DOES NOT INVOLVE EXPORT CREDIT (ALTHOUGH JAPANESE PARTNER IN JOINT VENTURE DOES BORROW FROM JAPAN, EXIM AMONG OTHERS), GOJ OFFICIAL BEST INFORMED ON EXPORT CREDIT CONSENSUS DOES NOT REGARD THIS AS CASE OF MIXED CREDIT DESPITE ITS EARLIER CHARACTERIZATION AS SUCH BY FOREIGN MINISTRY SOURCE (REF B). WITH RESPECT TO CAUCA VALLEY PROJECT, GOJ OFFICIALS ASSERT (ALSO CONTRARY TO EARLIER MOFA STATEMENT RECORDED REF B) THAT THEIR OFFERS FOR THIS PROJECT DO NOT REALLY CONSTITUTE A MIXED CREDIT, BUT ARE INDEPENDENT. THEY STATE THAT JAPAN ALREADY HAS PLEDGED A SINGLE UNTIED CONCESSIONAL YEN CREDIT FOR A DAM. IN ADDITION, WE UNDERSTAND, GOJ IS WILLING TO PROVIDE COMMERCIAL EXPORT CREDIT IF JAPANESE COMPANY WINS CONTRACT FOR POWER PLANT.

3. THUS GOJ OFFICIALS BELIEVE IT IS CORRECT TO STATE THAT JAPAN HAS GIVEN NO NEW MIXED CREDITS SINCE JULY 1976. HOWEVER, SPECIFIC INSTANCES ASIDE, GOJ OFFICIALS HAD NOT MEANT TO GIVE THE IMPRESSION THAT IT IS JAPANESE POLICY TO GIVE UP ISSUING MIXED CREDITS. IN THIS CONNECTION IT HAS BEEN POINTED OUT TO US INFORMALLY BY MITI OFFICIAL THAT MIXED CREDITS MAY HAVE DIFFERENT KINDS OF PURPOSES, EVEN THOUGH THESE CANNOT ALWAYS BE EASILY DISTINGUISHED. ONE PURPOSE, WHICH THE JAPANESE FEEL IS NOT REPEAT NOT JUSTIFIED, IS TO PROMOTE EXPORTS, CONFIDENTIAL

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ESPECIALLY WHERE COMPETITION INTERNATIONALLY IS BASED ON THE ASSUMPTION THAT ONLY COMMERCIAL CREDIT WILL BE USED. ANOTHER CATEGORY INVOLVES DEVELOPMENT-ORIENTED ASSISTANCE. IF THERE ARE BUDGETARY LIMITATIONS ON DEVELOPMENT ASSISTANCE, JAPANESE CONSIDER IT WOULD BE DESIRABLE TO PROVIDE COMMERCIAL CREDIT TO SUPPLEMENT DEVELOPMENT ASSISTANCE, PARTICULARLY IF THE MARKET SHOULD BE SO POOR THAT COMMERCIAL CREDIT WOULD NOT BE AVAILABLE FROM OTHER SOURCES. ANOTHER, LIMITED, CATEGORY, WHERE THE JAPANESE BELIEVE THAT MIXED CREDIT MAY BE JUSTIFIED INVOLVES WHAT THEY CALL "NATIONAL PROJECTS," WHERE THE MAIN PURPOSE OF GIVING A MIXED CREDIT IS NOT TO PROMOTE EXPORTS OF PLANT AND EQUIPMENT BUT TO MAKE SUCH A PROJECT VIABLE. NATIONAL PROJECTS ARE SEEN AS SERVING SUCH PURPOSES AS SECURING A STABLE SUPPLY OF RESOURCES AND/OR PROMOTING FRIENDSHIP WITH IMPORTANT FOREIGN COUNTRIES. (COMMENT: THE IRAN, INDONESIA, AND IRAQ CREDITS ALL SEEM TO FALL IN THIS LAST CATEGORY.)

4. WE HAVE BEEN INFORMED THAT JAPANESE HAVE NO PLANS TO PROVIDE EXPORT-ORIENTED MIXED CREDITS. BUT THEY ARE

CONCERNED ABOUT THE PROLIFERATION OF DUBIOUS MIXED CREDITS ABROAD, WHICH THEY MAY BE LED TO MATCH.

5. JAPANESE OFFICIALS BELIEVE THAT THEY HAVE NOT EXTENDED TIED AID CREDITS WITH GRANT ELEMENT OF LESS THAN 25 PERCENT IN 1976 AND 1977, ALTHOUGH THERE STILL MAY REMAIN SOME UNCERTAINTY OVER DEFINITION OF TIED AID CREDIT. OUR IMPRESSION IS THAT THEY DO NOT FAVOR SUCH CREDITS, BECAUSE THESE DO NOT QUALIFY AS OFFICIAL DEVELOPMENT ASSISTANCE BY DAC DEFINITION.

6. JAPANESE OFFICIALS PROVIDING FOREGOING DETAILS OF

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JAPANESE CREDITS AND POLICY HAVE ASKED THAT THIS INFORMATION BE CONSIDERED FOR ADMINISTRATION USE ONLY AND NOT BE RELEASED TO THE CONGRESS OR USED PUBLICLY.
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